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1	BEFORE THE ARIZONA CORPOR	ATION COMMISSION
2 3	COMMISSIONERS LEA MÁRQUEZ PETERSON - CHAIRWOMAN SANDRA D. KENNEDY JUSTIN OLSON	
4	ANNA TOVAR JIM O'CONNOR	
567	IN THE MATTER OF THE APPLICATION OF) TUCSON ELECTRIC POWER COMPANY FOR) THE ESTABLISHMENT OF JUST AND) REASONABLE RATES AND CHARGES	DOCKET NO. E-01933A-19-0028
8 9 10	DESIGNED TO REALIZE A REASONABLE / RATE OF RETURN ON THE FAIR VALUE OF) THE PROPERTIES OF TUCSON ELECTRIC) POWER COMPANY DEVOTED TO ITS) OPERATIONS THROUGHOUT THE STATE OF) ARIZONA AND FOR RELATED APPROVALS.	NOTICE FILING COMPLIANCE REGARDING MP-EX RIDER 18 AND RELATED PLAN OF ADMINISTRATION
11	ARIZONA AND FOR RELATED APPROVALS.	

Tucson Electric Power Company ("TEP"), through undersigned counsel, hereby files its revised Rider-18 Market Price-Experimental ("MP-EX Rider") and related Plan of Administration ("POA") for Commission approval in compliance with Decision No. 77856 (December 31, 2020). TEP is providing both clean and redline versions of the MP-EX Rider. The redline version reflects revisions to the form of rider attached as Exhibit B to Decision No. 77856.

As contemplated by Decision No. 77856, TEP sought stakeholder input in developing the MP-EX Rider and POA. TEP prepared drafts of the MP-EX Rider and POA, posted the drafts on its website on February 12, 2021 and provided notice to parties in this docket. TEP also reached out to numerous large customers that may be eligible to participate in the MP-EX program, even though they were not parties to this docket. TEP requested comments on the draft documents by February 19, 2021 and received several comments, including comments from non-party stakeholders. TEP held a virtual meeting of interested parties regarding those draft documents on February 26, 2021 and received further stakeholder input during that meeting.

Based on input received through written and verbal comments, TEP prepared revised drafts of the MP-EX Rider and POA and posted them on its website on March 5, 2021. TEP provided notice of the revised documents by email to parties in the docket on March 5, 2021 and requested

1 comments on the revised drafts by March 12, 2021. TEP also communicated similar information 2 about the revised documents to interested non-party stakeholders by email or telephone. In addition to the process described above for obtaining stakeholder input, TEP also had numerous informal 3 communications with interested stakeholders. TEP has incorporated the comments received into the 4 5 MP-EX Rider and POA as appropriate. TEP submits that the MP-EX Rider reflects the holding and direction of Decision No. 77856 6 7 and that the POA provides appropriate general guidance on how the MP-EX program will be 8 implemented. Therefore, TEP requests that the Commission approve Rider-18 Market Price-9 Experimental and related Plan of Administration. 10 RESPECTFULLY SUBMITTED this 31st day of March, 2021. 11 TUCSON ELECTRIC POWER COMPANY 12 By s/Michael W. Patten 13 Bradley S. Carroll Tucson Electric Power Company 14 88 East Broadway, MS HQE910 P.O. Box 711 15 Tucson, Arizona 85702 and 16 Michael W. Patten 17 Snell & Wilmer L.L.P. 400 East Van Buren Street 18 Phoenix, Arizona 85004 19 Attorneys for Tucson Electric Power Company 20 Original of the foregoing efiled this 31st day of March, 2021. 21 Copies of the foregoing hand-delivered/mailed 22 and/or emailed this same date to: 23 Belinda A. Martin, Administrative Law Judge Hearing Division 24 Arizona Corporation Commission 1200 West Washington Street 25 Phoenix, Arizona 85007 26

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MP-EX RIDER (CLEAN)



718

Rider-18 Market Pricing-Experimental (MP-EX)

AVAILABILITY

This rate rider is available throughout the Company's entire electric service area at all points where facilities of adequate capacity and required phase and suitable voltage are adjacent to the sites served. Oustomers within the medium and large general service classes are eligible for Program 1 and customers within the large power service or large power service high voltage classes are eligible for Program 2.

APPLICABILITY

Available for Customers who have a minimum aggregated peak demand of 3,000 kW or more and a minimum aggregated average monthly load factor of 60 percent based on billing data for the previous 12 months. Customer block purchases under Option 2 or Option 3 may not displace more than 50 percent of the customer's average monthly peak demand based on the months of October through April.

Customers must have interval metering or advanced metering infrastructure in place at all times under this rate rider. Customers shall comply with all applicable federal, state, and local laws, regulations, ordinances and codes governing the production and/or sale of electricity.

All provisions of the Customer's applicable rate will apply in addition to this MP-EX Rider-18, except as modified herein. This rider shall be available for four years from the effective date of MP-EX Rider-18, unless extended by the Arizona Corporation Commission. Program 1 participation will be limited to 25,000 kW and Program 2 participation will be limited to 50,000 kW.

CHARACTER OF SERVICE

Must meet all service requirements for the Customer's applicable tariff.

CUSTOMER PARTICIPATION PROCESS

The Company shall establish an initial enrollment period during which Customers can apply for service under this rider. If the applications for service are greater than the program maximum amount, then Customers shall be selected for enrollment through a lottery process as detailed in the program guidelines, which may be revised from time-to-time during the term of this rider.

DESCRIPTION OF SERVICES AND OBLIGATIONS

The Customer shall apply for service under this rider.

The Company shall conduct the enrollment process in accordance with the provisions of this rider.

For Customers who elect service under Option 2 or Option 3, the Company shall enter into a Purchase-Sale Agreement (PSA) with the Customer where the Customer commits to purchasing flat, around-the-clock (7x24) blocks of market-based purchased power capacity and energy on a 12-month basis. The Company will work with Customers to procure 7x24 blocks of energy and capacity products either through bilateral arrangement with a third-party generation service provider or through a competitive RFP process conducted by the Company.

The Company shall provide transmission, delivery and network services to the Customer according to normal retail electric service.

Filed By: Dallas J. Dukes

Vice President, Energy Programs and Pricing Title:

District: Entire Electric Service Area

R-18 Rate: Effective: Pendina Decision No.: 77856



718-1

RATE

There are two separate programs available to customers. Program 1, General Service, is available to medium and large general service customers and Program 2, Large Power Service, is available to large power service and large power service hight voltage customers.

<u>Program 1, General Service</u>. For all energy delivered by TEP through the MP-EX Program, all provisions, charges, and adjustments in the Customer's applicable rate schedule will continue to apply except for the Base Power Charge and PPFAC rider charge. Customers will have the option to replace their existing Base Power Charge and PPFAC rider charge with:

Option 1: A a day-ahead or hourly market index price

Option 2: A 7x24 block of energy and capacity procured on a 12-month basis

<u>Program 2, Large Power Service</u>. For all energy delivered by TEP through the MP-EX Program, all provisions, charges, and adjustments in the Customer's applicable rate schedule will continue to apply except for the Base Power Charge and PPFAC rider charge. Customers will have the option to replace their existing Base Power Charge and PPFAC rider charge with:

Option 1: An hourly market index price

Option 2: A 7x24 block of energy and capacity procured on a 12-month basis

Option 3: A combination of Options 1 and 2 with an hourly market index price applied against remaining load not subscribed under Option 2.

Customers choosing service under the Option 2 or Option 3 will be charged line losses based on the Palo Verde Intercontinental Exchange (ICE) On-peak and Off-peak day-ahead index. Line losses will be modified to reflect transmission delivery voltage levels where applicable. The minimum PSA block size is 1,000 kW and all power must be delivered to the Company at a point of delivery as agreed to by the Company. The Customer is responsible for the cost of any incremental transmission costs to deliver the power to the Company's delivery point.

In the event of an unplanned outage, customers will be credited for hours when customer load is less than the hourly block purchased power capacity at the market index price. Unplanned outages will be limited to 2% of the total block power energy for the year. Given adequate notice, the Company will have the option to work with the customer to arrange to market their excess capacity during long-term planned outage events.

Under both programs, a \$1,000 per customer per month billing charge will apply.

Under both programs, Customers will be charged \$500 per month for each service point aggregated under this rate rider.

CONTRACT TERM AND REQUIREMENTS

Participating customers must remain in the MP-EX program for a minimum of one year. Eligible customer accounts may be aggregated if they have the same corporate name, ownership, and identity. In addition, an eligible franchisor customer may be aggregated with eligible franchisees or associated corporate accounts. Under multiple aggregation arrangements, the customer would be financially responsible for the secondary billing costs above and beyond the \$500 monthly service point charge between the aggregated load and the reallocation of billing between the multiple service points.

Filed By: Dallas J. Dukes

Title: Vice President, Energy Programs and Pricing

District: Entire Electric Service Area

Rate: R-18
Effective: Pending
Decision No.: 77856



Original Sheet No.:	718-2
Superseding:	

Rate:

Effective:

Decision No.:

R-18

Pending

77856

CREDIT REQUIREMENTS

Customers choosing service under Option 2 or Option 3 must have an investment grade credit rating or demonstrate creditworthiness in the form of either a 3rd-party guarantee from an investment grade rated company, surety bond, letter of credit, or cash in accordance with the Company's standard credit support rules.

TEP STATEMENT OF CHARGES

For all additional charges and assessments approved by the Arizona Corporation Commission (ACC) see the TEP Statement of Charges which is available on TEP's website at www.tep.com.

TAX CLAUSE

To the charges computed under this rider, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the ACC shall apply where not inconsistent with this rider.

Filed By: Dallas J. Dukes
Title: Vice President, Energy Programs and Pricing
District: Entire Electric Service Area

MP-EX RIDER (REDLINE)



718-1

Rider-18 Market Pricing-Experimental (MP-EX)

AVAILABILITY

This rate rider is available throughout the Company's entire electric service area at all points where facilities of adequate capacity and required phase and suitable voltage are adjacent to the sites served. Customers within the medium and large general service classes are eligible for Program 1 and customers within the large power service or large power service high voltage classes are eligible for Program 2.

APPLICABILITY

Available for Customers who have a minimum aggregated peak demand of 3,000 kW or more and a minimum aggregated average monthly load factor of 60%-percent based on billing data for the previous 12 months. Customer block purchases under Pregram-2 Option 2 or Option 3 may not displace more than 50 percent of the customer's average monthly peak demand based on the months of October through April.

Customers must have interval metering or advanced metering infrastructure in place at all times under this rate rider. Customers shall comply with all applicable federal, state, and local laws, regulations, ordinances and codes governing the production and/or sale of electricity.

All provisions of the Oustomer's applicable rate will apply in addition to this MP-EX Rider-18, except as modified herein. This rider shall be available for four years from the effective date of MP-EX Rider-18, unless extended by the Arizona Corporation Commission. Program 1 participation will be limited to 25,000 kW and Program 2 participation will be limited to 50,000 kW.

CHARACTER OF SERVICE

Must meet all service requirements for the Customer's applicable tariff.

CUSTOMER PARTICIPATION PROCESS

The Company shall establish an initial enrollment period during which Customers can apply for service under this rider. If the applications for service are greater than the program maximum amount, then Customers shall be selected for enrollment through a lottery process as detailed in the program guidelines, which may be revised from time-to-time during the term of this rider.

DESCRIPTION OF SERVICES AND OBLIGATIONS

The Customer shall apply for service under this rider.

The Company shall conduct the enrollment process in accordance with the provisions of this rider.

For Customers who elect service under Program 2-Option 2 or Option 3, the Company shall enter into a Purchase-Sale Agreement (PSA) with the Customer where the Customer commits to purchasing flat, around-the-clock (7x24) blocks of market-based purchased power capacity and energy on a 12-month basis. The Company will work with Customers to procure 7x24 blocks of energy and capacity products either through bilateral arrangement with a third-party generation service provider or through a competitive RFP process conducted by the Company.

The Company shall provide transmission, delivery and network services to the Customer according to normal retail electric service.

Filed By: Dallas J. Dukes

Title: Vice President, Energy Programs and Pricing

District: Entire Electric Service Area

Rate: TGGSWPFR-18
Effective: Pending
Decision No.: XXXXX77856



718-1

RATE

There are two separate programs available to customers. <u>Program 1, General Service</u>, is available to medium and large general service customers and Program 2, Large Power Service, is available to large power service and large power service hight voltage customers.

Program 1, General Service. For all energy delivered by TEP through the MP-EX Program, all provisions, charges, and adjustments in the Customer's applicable rate schedule will continue to apply except for the Base Power Charge and PPFAC rider charge. Customers will have the option to replace their existing Base Power Charge and PPFAC rider charge with:

Option 1: A a day-ahead or hourly market index price

Option 2: A 7x24 block of energy and capacity procured on a 12-month basis

Program 2, Large Power Service. For all energy delivered by TEP through the MP-EX Program, all provisions, charges, and adjustments in the Customer's applicable rate schedule will continue to apply except for the Base Power Charge and PPFAC rider charge. Customers will have the option to replace their existing Base Power Charge and PPFAC rider charge with:

Option 1: An hourly market index price

Option 2: A 7x24 block of energy and capacity procured on a 12-month basis

Option 3: A combination of Options 1 and 2 with an hourly market index price applied against remaining load not subscribed under Option 2.

Program 1: All provisions, charges, and adjustments in the Customer's applicable rate schedule will continue to apply except for the Base Power Charges and PPFAC. Customers will have the option to replace their existing Base Power Charge and PPFAC rider charge with a day-ahead market index option.

Program 2: All provisions, charges, and adjustments in the Customer's applicable rate schedule will continue to apply except for the Base Power Charges and PPFAC. Customers will have the option to replace their existing Base Power and PPFAC charges with:

Option 1: An hourly market index price

Option 2: A 7x24 block of energy and capacity price procured on a 12-month basis

Option 3: An hourly market index price applied against remaining load not subscribed under Option 2.

Customers choosing service under the Program 2, option 2 or Option 3 will be charged line losses based on the Palo Verde Intercontinental Exchange (ICE) On-peak and Off-peak day-ahead index. Line losses will be modified to reflect transmission delivery voltage levels where applicable. The minimum PSA block size is 51,000 kW and all power must be delivered to the Company at a point of delivery as agreed to by the Company. The Customer is responsible for the cost of any incremental transmission costs to deliver the power to the Company's delivery point.

In the event of an unplanned outage, customers will be credited for hours when customer load is less than the hourly block purchased power capacity at the market index price. Unplanned outages will be limited to 2% of the total block power energy for the year. Given adequate notice, the Company will have the option to work with the customer to arrange to market their excess capacity during long-term planned outage events.

Under both programs, a \$1,000 per customer per month billing charge will apply.

Filed By: Dallas J. Dukes

Title: Vice President, Energy Programs and Pricing

District: Entire Electric Service Area

Rate: TGGSWPFR-18
Effective: Pending

Decision No.: XXXXX77856



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Under both programs, Customers will be charged \$500 per month for each service point aggregated under this rate rider.

CONTRACT TERM AND REQUIREMENTS

Participating customers must remain in the MP-EX program for a minimum of one year. Eligible customer <u>accounts</u> may be aggregated if they have the same corporate name, ownership, and identity. In addition, an eligible franchisor customer may be aggregated with eligible franchisees or associated corporate accounts. Under multiple aggregation arrangements, the customer would be financially responsible for the secondary billing costs above and beyond the \$500 monthly service point charge between the aggregated load and the reallocation of billing between the multiple service points.

CREDIT REQUIREMENTS

Customers choosing service under Program 2 Option 2 or Option 3 must have an investment grade credit rating or demonstrate creditworthiness in the form of either a 3rd-party guarantee from an investment grade rated company, surety bond, letter of credit, or cash in accordance with the Company's standard credit support rules.

TEP STATEMENT OF CHARGES

For all additional charges and assessments approved by the Arizona Corporation Commission (ACC) see the TEP Statement of Charges which is available on TEP's website at www.tep.com.

TAX CLAUSE

To the charges computed under this rider, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the ACC shall apply where not inconsistent with this rider.

Filed By: Dallas J. Dukes

Title: Vice President, Energy Programs and Pricing

District: Entire Electric Service Area

Rate: Effective: Decision No.: TGGSWPFR-18 Pending XXXXX77856

PLAN OF ADMINISTRATION

Market Pricing-Experimental (MP-EX) Plan of Administration

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1. General Description

This document describes the plan for administering the Market Pricing-Experimental ("MP-EX") Program approved for Tucson Electric Power Company ("TEP" or "Company") in Arizona Corporation Commission ("Commission") Decision No. 77856 (December 31, 2020). The MP-EX Program allows a limited number of Medium General Service ("MGS"), Large General Service ("LGS"), Large Power Service ("LPS"), and Large Power Service-High Voltage ("LPS-HV") Customers to arrange for market-based pricing alternatives in lieu of TEP's standard applicable Power Supply Charge. All other provisions, charges, and adjustments in the Customer's applicable rate schedule and riders will continue to apply. The rates and charges specific to the MP-EX Program are stated in TEP Rider 18, Market Pricing-Experimental ("Rider 18, MP-EX"). Other requirements or procedures for the administration of the MP-EX Program not specifically addressed in this Plan of Administration are set forth in the MP-EX Program Guidelines.

2. Definitions

<u>Aggregated Peak Load.</u> The sum of the maximum metered kilowatts ("kW") for each of the Customer's aggregated Eligible Service Accounts over the previous 12 months.

<u>Customer(s)</u>. For purposes of this Plan of Administration, any TEP Customer taking service under an eligible General Service or Large Power Service rate schedule.

Eligible Service Account. A Service Account that meets the eligibility requirements for Rider 18, MP-EX.

<u>Generation Service Provider</u>. A third-party entity that provides wholesale power to the Company on behalf of a Customer. This entity must be legally capable of selling and delivering wholesale power to TEP.

<u>Power Supply Charge</u>. The sum of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC") charge.

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<u>Program Guidelines</u>. A TEP document that sets forth criteria, requirements, and procedures for operational and other aspects of the MP-EX Program. The Program Guidelines are subject to change by TEP from time to time to facilitate implementation and operation of the MP-EX Program.

<u>Service Account</u>. A point of retail electric delivery including a service entrance section and a meter, which is used as a basis for billing.

<u>WSPP Agreement</u>. A standardized power agreement developed and utilized by WSPP Inc., an organization of electric wholesale market entities, to execute trading opportunities, allowing WSPP members to manage power delivery and price risk. The WSPP Agreement represents a default standardized contract for wholesale electric power sales and physical options.

3. Program Overview

The MP-EX Program consists of two separate programs. Program 1, General Service, is available to Customers taking service on any of TEP's MGS or LGS rate schedules. Program 2, Large Power Service, is available to Customers taking service on TEP's LPS or LPS-HV rate schedules. Program subscription is limited to 75,000 kW of total Aggregated Peak Load, 25,000 kW of which will be reserved for Program 1 and 50,000 kW for Program 2. Customer options for each program are as follows:

- <u>Program 1, General Service</u>. For all energy delivered by TEP through the MP-EX Program, Customers will have the option to replace their existing Power Supply Charge with one of the following:
 - Option 1: A day-ahead or hourly market index price
 - Option 2: A 7x24 block of energy and capacity procured on a 12-month basis
- <u>Program 2, Large Power Service</u>. For all energy delivered by TEP through the MP-EX Program, Customers will have the option to replace their existing Power Supply Charge with one of the following:
 - o Option 1: An hourly market index price
 - Option 2: A 7x24 block of energy and capacity procured on a 12-month basis
 - Option 3: A combination of Options 1 and 2 with an hourly market index price applied against remaining load not subscribed under Option 2.

Eligible Customers choosing Option 2 or Option 3 may procure 7x24 blocks of energy and capacity products either through bilateral arrangement with a third-party Generation Service Provider or through a competitive Request for Proposal ("RFP") process conducted by the Company. Provisions for third-party Generation Service Providers are addressed in Section 7 below. The

[date] Page 2

¹ All references to MGS, LGS, LPS, and LPS-HV rate schedules include the Time-of-Use ("TOU") variants.

minimum 7x24 block purchase size is 1,000 kW and Customer block purchases may not displace more than 50% of a Customer's average monthly peak demand based on the months October through April.

TEP will continue to provide generation,² transmission, delivery, and network services to the Customer in accordance with the applicable retail rate schedule.

4. MP-EX Charges to the Customer

The Customer will be assessed charges specific to MP-EX Program participation as set forth in Rider 18, MP-EX. The Customer will not be assessed the Power Supply Charge in the applicable retail rate schedule, but all other charges and provisions of the Customer's applicable retail rate schedule and riders will continue to apply.

5. Customer Eligibility

Rider 18, MP-EX is available to any TEP Customer taking service on a standard retail rate schedule that has a single Eligible Service Account or group of aggregated Eligible Service Accounts with a total Aggregated Peak Load of 3,000 kW or more and a minimum aggregated average monthly load factor of 60% based on energy delivered and billed by TEP for the previous 12 months.

For purposes of MP-EX Program eligibility, Eligible Service Accounts may be aggregated if they have the same corporate name, ownership, and identity. Eligible affiliated Customers may be aggregated if they are under the same corporate ownership even if they are operating under multiple names. An eligible franchisor Customer may be aggregated with those of eligible franchisees or associated corporate accounts. Under these multiple aggregation arrangements, the Customer would be responsible for secondary billing and settlement arrangements among the aggregated Eligible Service Accounts.

An aggregated group of Eligible Service Accounts for Program 1 may include a combination of service accounts that take service under MGS and LGS rate schedules. An aggregated group of Eligible Service Accounts for Program 2 may include a combination of service accounts that take service under LPS and LPS-HV rate schedules. Aggregation of MGS/LGS service accounts with LPS/LPS-HV service accounts is not allowed.

MP-EX Program Customer eligibility criteria and requirements surrounding changing load and dropping and swapping Eligible Service Accounts are specified in more detail in the Program Guidelines.

[date] Page 3

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² Except in cases where the Customer arranges for procurement of 7x24 blocks of energy and capacity with a Generation Service Provider.

6. Customer Selection

Customers must submit a completed application for participation in the MP-EX Program in accordance with the requirements in the Program Guidelines. Each customer application is limited to a total load of 5,000 kW. Multiple Customer applications are allowed as long as each application meets the minimum 3,000 kW and 60% load factor thresholds. Eligible Service Accounts may not be split among Customer applications unless the service account load exceeds 5,000 kW.

If the total applications for either Program 1 or Program 2 do not exceed the specified program load allocations (25,000 kW for Program 1 and 50,000 kW for Program 2), all Eligible Service Accounts with valid applications will be enrolled in the appropriate Program.

If interest in either Program 1 or Program 2 exceeds the specified load allocation, TEP will conduct a lottery as described in the Program Guidelines. TEP will determine if each application meets MP-EX Program eligibility requirements ten (10) days prior to the lottery. Should one be necessary, the initial MP-EX Program lottery will be held within 45 days of the application deadline.

Lottery entries will be selected using a sufficiently acceptable random selection process. Only the Eligible Service Accounts selected in the lottery process will be able to participate in the MP-EX Program. The lottery selection process will continue until all the available Program 1 and Program 2 allocations are depleted and a waiting list will be established based on order of selection in the initial lottery process. Customers selected in the lottery or from the waiting list may participate once they complete the contracting, metering, billing, and other MP-EX Program requirements. Customers who enter the initial MP-EX Program by lottery will not be required to participate in a subsequent lottery to remain in the program.

7. Generation Service Provider Provisions

MP-EX Program participants choosing Option 2 or Option 3 may procure 7x24 blocks of energy and capacity products either through bilateral arrangement with a third-party Generation Service Provider or through a competitive RFP process conducted by the Company. A Generation Service Provider must meet all legal and regulatory requirements to sell and deliver wholesale power to TEP. All requirements for Generation Service Providers are addressed in more detail in the Program Guidelines.

If a Generation Service Provider fails to deliver the amount of energy and capacity it has scheduled on behalf of the Customer during any hour, TEP will charge the Generation Service Provider the cost to replace this energy and capacity based upon the liquidated damages provisions within the WSPP Agreement.

8. Premature Return to TEP Bundled Service

If a Customer elects to return to its applicable retail rate without providing the required 12-month advance notice, TEP will charge the Customer a market based rate for the cost of replacement

[date] Page 4

energy and capacity.³ TEP's cost of replacement energy will be based on the higher of the weighted average Palo Verde ICE Day Ahead Peak and Off-Peak Indices or the Hourly CAISO Palo Verde LMP⁴, plus 10% with minimum index pricing not to be less than \$15 per MWh. TEP's cost of replacement capacity will be based on the cost energy plus any market premiums to secure resource capacity for the Customer's load during the times of the year when the Company is deficient resource capacity. This pricing will be effective until TEP can reasonably integrate the Customer back into its generation planning and provide power at the applicable retail rate, in no event more than one (1) year after request by the Customer.

The returning Customer must remain with its applicable retail rate for at least one (1) year thereafter. The Customer may subsequently be placed on the waiting list and return to the MP-EX Program according to the process detailed in Program Guidelines.

[date] Page 5

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³ This market-based rate will be in lieu of the Company's Base Power Supply Charge and PPFAC Rider charge.

⁴ The hourly data can be found on the CAISO OASIS website under the locational marginal price for node: PALOVRDE_ASR-APND.